



REPORT OF THE LEADER OF THE COUNCIL

SPENDING PROPOSALS 2016/17 - 2018/19

Purpose of the Report

1. To highlight the financial landscape within which the Council is operating.
2. To seek approval to implement Category A proposals as defined in the report.
3. To seek approval to consult on Category B and Category C proposals as defined in the report.

Information and Advice

Financial context

4. The Council, along with all other local authorities in the country, has operated within a challenging financial landscape for a number of years. The reason for this has been a fall in grant income whilst at the same time there has been an increase in demand for many services, leaving a predicted budget gap of £62m over the next three years.
5. While there still remain some unknowns regarding Government funding, the predictions are that there will be further reductions. The Chancellor's Autumn Statement on 25 November 2015, which included the publication of the Comprehensive Spending Review, indicated a continued decline in local government funding. The Chancellor also confirmed the decision to return business rates to local authorities and the phasing out of Revenue Support Grant by the end of the current Parliament.
6. The additional information that will be included in the Local Government Settlement, which is expected to be published before Christmas, will help the Council revise its financial forecast in readiness for the February budget meeting.
7. The February 2015 budget report to Council forecasted a budget shortfall of £26m for the next three years once all the identified savings were taken into account. This shortfall took into account all of the budget pressures (inflation and costs) and reductions in grant funding alongside the savings identified.

8. This is shown in Table 1 below.

Table 1 – Three-Year Financial Forecast

	2016/17 £m	2017/18 £m	2018/19 £m	Total £m
Cost Pressures	1.7	1.8	6.7	10.2
Pay and Non Pay Inflation	6.9	14.9	-	21.8
Reductions in Government Funding	19.9	14.8	0.6	35.3
Impact of reserves and revised assumptions	10.7	(14.9)	3.6	(0.6)
Savings identified to date	(27.3)	(11.8)	(1.9)	(41.0)
Total Shortfall	11.9	4.8	9.0	25.7

9. Major policy and regulatory changes, such as The Care Act 2014, will generate additional costs. At present it remains unclear how these additional costs will be funded on an ongoing basis.
10. Work has continued on the integration of Public Health since its transfer from the NHS in April 2013, particularly to identify areas of potential duplication with existing Council services and maintain the long-term aspiration of improved Public Health outcomes.
11. On 4 June 2015, the Chancellor of the Exchequer announced a £3bn package of savings to be made across Government in the 2015/16 financial year. These savings included £200m to be saved from the public health grant which meant this authority was required to return £2.6m.
12. In the Budget on 8 July 2015, the Chancellor announced the introduction of the National Living Wage that would, for people aged 25 and above, increase to a floor rate of £9.00 per hour by 2020. In moving towards this position, the National Living Wage will be set at £7.20 from April 2016. This creates an additional budget pressure for the Council both as an employer and commissioner. It is expected that many services, particularly in the Adult Social Care arena, will pass on the increase in staff costs to the Council by way of higher contribution charges.
13. Taking all these factors into consideration the shortfall in funding over the next three years is now estimated to have risen to £62m.

Tackling the problem

14. This year, in an unprecedented move, the three largest political groups on the Council agreed to work together to produce a joint budget.
15. Savings proposals that total more than £20m have been identified. These proposals, broken down by Department, are detailed in Appendices 1-3 of this report. Table 2 below provides a summary of these savings proposals by Committee.

Table 2 – Summary of Committee Savings Proposals

Committee	2016/17 £000	2017/18 £000	2018/19 £000	Total £000
Children and Young People	1,451	640	2,212	4,303
Adult Social Care and Health	1,888	3,669	3,266	8,823
Transport and Highways	500	445	404	1,349
Environment and Sustainability	460	0	0	460
Community Safety	50	50	75	175
Culture	0	0	251	251
Policy	407	302	99	808
Economic Development	80	0	0	80
Finance and Property	440	503	215	1,158
Personnel	46	86	33	165
Public Health	3,000	0	0	3,000
Total*	8,322	5,695	6,555	20,572

*includes £3m proposed savings against the public health grant.

16. For the purpose of consultation and to allow the most efficient implementation, the proposals have been categorised as follows:

Category A

These are proposals which, if approved, can be implemented immediately after normal internal consultation processes have been completed in accordance with Council policies and legal requirements. The report seeks approval for implementation of all the Category A proposals.

Category B

Approval is sought in principle for these proposals which will be subject to consultation with stakeholders and partners prior to implementation. It is anticipated that approval to proceed will be sought within the 2016/17 budget report unless an earlier decision-making process is approved.

Category C

These proposals will require statutory consultation prior to implementation. Approval to proceed will be sought within the 2016/17 budget report, or later as appropriate. Proposals in this category could be subject to change as a result of consultation and subsequent refinement.

17. It is expected that further savings proposals will continue to be developed outside of this budget process. These will be taken to the relevant Committee for approval with all appropriate consultation carried out and, where possible, will be included in the annual budget report in February 2016.

Financial planning

18. As part of the budget setting process, the Council will review its financial planning assumptions, including cost pressures and inflation. Any changes will be detailed in the February budget report.
19. Reserves and balances will once again be used to allow time for more transformative approaches to be developed and implemented. Reserves can be used as a short-term fix but their use only delays the time when a permanent solution needs to be found. The Council also needs to maintain an appropriate level of reserves to guard against unforeseen events. Any required use of the reserves will be presented as part of the budget approval process.
20. This multi-faceted approach will enable the Council to reduce its budget deficit in a managed way that protects front-line services, supports transformation, builds capacity and helps to achieve long-term resilience.

Council Tax

21. When the Medium Term Financial Strategy (MTFS) was approved in February 2015 a 1.99% increase to Council Tax was built into the following financial years to address the budget shortfall.
22. Due to the current financial position that has been outlined in this paper, the Council is highly likely to continue with its proposed increase in Council Tax next year by 1.99%. The increase will help to limit the reductions in services.
23. Government policy currently requires any authority proposing a Council Tax increase of above 1.99% to hold a referendum. At the moment it is unclear if there will be any change to the referendum cap in the coming years.
24. In previous years the Government has provided additional funding to any authority that does not increase Council Tax. In Nottinghamshire the Council Tax freeze grant would equate to £3.2m. However, there is no guarantee that the freeze grant would be awarded or for how long, which increases the level of uncertainty faced by the Council. Any increase in Council Tax can be included in the budget as permanent funding.
25. The Chancellor announced in the Autumn Statement that local authorities will be able to levy a “social care precept” of up to 2% in Council Tax which must be spent exclusively on social care. It is assumed this will be in addition to any referendum limit imposed on local authorities.
26. The average Council Tax paid by Nottinghamshire residents is £1,045.32 which places the County 13th highest out of the 27 County Councils in terms of average Council Tax paid. This reflects the fact that Nottinghamshire has the second-highest number of properties in Bands A and B out of all the other County Councils.

27. The impact on bills of a 1.99% increase in Council Tax would equate to an average increase of 40 pence per week and contribute £5.9m towards the Council's funding gap.

Table 4 – Impact of 1.99% increase in Council Tax

Band	2015/16 Council Tax (£)	2015/16 1.99 % impact (£)	Equivalent weekly increase (£)	No of Dwellings
A	827.42	843.89	0.32	141,580
B	965.33	984.54	0.37	73,370
C	1,103.23	1,125.19	0.42	60,860
D	1,241.14	1,265.84	0.47	40,440
E	1,516.94	1,547.14	0.58	22,340
F	1,792.75	1,828.44	0.69	10,730
G	2,068.56	2,109.73	0.79	5,960
H	2,482.27	2,531.68	0.95	460

Note: the number of dwellings is the total listed on the Valuation Office website as at 11 June 2015 (<https://www.gov.uk/government/statistics/council-tax-stock-of-properties-2015>). It is not possible to use this raw data to calculate the precept as this is based on a Band D equivalent which takes into account non collection, Single Person Discount and other benefits.

Managing the Future

28. On 2 July 2014, Policy Committee approved a strategic approach to transformation in *Redefining Your Council*. This provides a clear and unified vision about the future of the Council and a plan to manage transformation in a way that saves money and protects the core values set out in the Strategic Plan.
29. Four transformation portfolios were created to focus on the areas with the greatest potential opportunity for transformation and budget savings. A new interim senior management structure was implemented from 1 September 2015 to align with this transformation approach. The new departments are: the Adult Social Care, Health and Public Protection Department; the Children, Families and Cultural Services Department; the Place Department; and the Resources Department. The following section sets out the future direction of travel for each of the Departments.

The Adult Social Care, Health and Public Protection Department

30. Adult Social Care, Health and Public Protection is the largest Department in the Council and has been subject to considerable challenges, especially in adult social care. The pressures on this budget have been significant as people live longer and develop complex care needs. In addition, new legislation such as the Care Act 2014 has introduced new duties and strains on the budget.
31. The strategic response to social care has focused on promoting independence and wellbeing, ensuring value for money and promoting choice and control. It encourages individuals to take more responsibility for their care and support with

families and communities being supported to assist those requiring such care and support.

32. Public Health first transferred in April 2013 with a ring fenced budget of approximately £36m. In July the Government announced a £200m in-year reduction to the public health grant to local government which equates to approximately £2.6m in Nottinghamshire. The budget plan assumes that following the Spending Review this reduction will increase to £3m. Consequently, this report includes proposals for consultation that would deliver a £3m saving to the public health grant.
33. The Department also includes Emergency Management, the Coroner's service, Registration and Celebratory Services, Trading Standards and Community Safety.

The Children, Families and Cultural Services Department

34. This Department broadly divides between children's services, which includes social care, early help and education services, and cultural services, which covers the Council's network of libraries, country parks and green estate sites, adult learning, archives, arts and sports development, and conservation management.
35. The social care strategy supports the delivery of integrated and aligned services in localities in order to make access as easy as possible. This ensures that support is provided as early as possible, in order to deliver the best possible outcomes for children, young people and their families.
36. From April 2016, the libraries, archives, learning and cultural services will be delivered by Inspire, a Community Benefit Society.

The Place Department

38. Place services, such as highways, public transport and waste disposal, have seen major budget reductions over the past five years while demand for many of these services that are used by all residents has increased.
39. This has led many of the services to consider alternative ways or approaches to delivery. The creation of a Joint Venture company to deliver the highways service, which maintains around 2,500 miles of road, 93,000 street lights and the associated infrastructure, was approved in May and is on track to go live on 1 April 2016.
40. The authority spends £4.1m in bus subsidies to companies where usage is too low and costly to make the service commercially viable. A review of the 81 subsidised services will be conducted in spring of 2016, prior to any decision to renew the current contracts that expire in August.
41. The authority intends to cut the cost of waste by working more closely with the district councils.

The Resources Department

42. The Resources Department brings together a group of services, including Legal, Democratic Services, ICT, Communications, Document Services, Human Resources, Customer Services, Finance, Performance, Transformation and Procurement, which support the rest of the Council in running as efficiently as possible.
43. One of the Department's roles is to enable front-line services to become more effective by delivering a range of innovative cross-cutting programmes that are unlocking savings e.g. Customer Access and Digital Development, Smarter Working.
44. All of the services are judged to be below average cost according to the Chartered Institute of Public Finance and Accountancy (CIPFA) benchmarking data. While many of the services (financial management, payroll, income and debt collection, Human Resources, legal representation, media management) are considered critical in the effective and efficient running of the Council, it is recognised that the central costs must be kept to a minimum. The service aims to provide quality resources services that are efficient and effectively delivered at a cost that does not exceed the average when benchmarked against other local authorities.

Dealing with the shortfall

45. As part of the ongoing work, the Council will continue to look at fundamentally changing the way services are delivered. Whilst some specific examples of this have already been set out, this transformational change will include:
 - Income generation where this can be used to offset costs
 - Maximising the use of technology to reduce costs
 - Improving online customer access to provide more affordable and accessible services
 - Using alternative providers, including the voluntary sector, to deliver services
 - Supporting individuals to stay independent for as long as possible to improve quality of life and lower dependency
 - Building capacity within communities to resolve local issues and help meet local needs by maximising the use of community assets
 - Reducing reliance on traditional working practices and fixed bases

Consultation Process

46. The Budget Consultation this year will begin on 9 December 2015 following the approval by Elected Members at today's Policy Committee.
47. The consultation will seek to obtain views on the Category B and C proposals as contained in this report. This will run until 5 February 2016 to allow Members the time to consider feedback and make any changes to the proposals as a result.
48. Policy Committee approved the budget consultation methodology on 11 November, 2015.

49. On conclusion of the consultation process, the Council will develop its detailed budget proposals. The formal approval of the budget and the setting of the Council Tax will be agreed at the Council budget meeting on 25 February 2016.

50. All responses will be considered and will help to inform the final decisions made by Full Council on 25 February 2016.

Staffing implications

51. The precise staffing implications of the various proposals included in this report will require careful management. A Section 188 notice has been issued which begins the statutory consultation involving employees and the recognised trades unions.

52. Post reductions will be managed through agreed Human Resources processes which include:

- strict vacancy control over the coming months
- deletion of vacant posts
- turnover
- redeployment
- retraining and re-skilling where appropriate
- job seeker support
- voluntary redundancies including consideration of bumping opportunities where possible
- compulsory redundancies – all reasonable measures will be applied to keep the number to a minimum

53. The following table provides an indication of the potential reduction in posts in 2015/16.

Table 5 – Potential Reduction in posts by Department

Department	Potential decrease
Children, Families and Cultural Services	54.25
Adult Social Care, Health and Public Protection	53.26
Place	4.5
Resources	70.2
Total	182.21

Statutory and Policy Implications

54. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the NHS Constitution (Public Health only), the public sector equality duty, safeguarding of children and vulnerable adults, service users, sustainability and the environment and ways of working and where such implications are material they are described below.

Appropriate consultation has been undertaken and advice sought on these issues as required.

Public Sector Equality Duty implications

55. Public authorities are required by law to have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation
- Advance equality of opportunity between people who share protected characteristics and those who do not
- Foster good relations between people who share protected characteristics and those who do not

56. Decision makers must understand and consider the effect of policies and practices on people with protected characteristics. Where a possible implication is identified the Council use equality impact assessments (EqIAs) to assess the potential impact on people with protected characteristics.

57. Equality implications have been considered during the development of the budget proposals and EqIAs have been undertaken where necessary. In addition the Human Resources policies that will be applied to any staffing reductions have been the subject of EqIAs. The further development of proposals will be informed by further EqIAs as appropriate.

58. It is essential that Members give due regard and consult appropriately on the implications for protected groups in the context of their equality duty in relation to their decisions. All EqIAs are available as background papers as part of the decision making process and are available to the public on the Council's website.

RECOMMENDATIONS

It is recommended that Policy Committee:

- a) Notes the financial landscape in which the Council is operating.
- b) Approves the Category A savings proposals.
- c) Approves the Category B and C savings proposals for public consultation.

COUNCILLOR ALAN RHODES LEADER OF THE COUNCIL

Financial Implications (NS 24/11/15)

The financial implications are set out in the report. The full impact of these proposals, and the consultation responses to them, as well as the implications of the Government Settlement in December, will be considered in the budget reports in February 2016.

Human Resources Implications (MT 01/12/15)

The high-level staffing implications are set out in the body of the report and trades union colleagues have been briefed on these. Some of the specific proposals have already

been discussed with trade union colleagues at departmental Joint Consultative and Negotiating Panels and further discussions are being scheduled. This process will continue throughout the consultation period and beyond as necessary. Formal consultation with the recognised trade unions will take place in accordance with the Council's agreed protocols.

Constitutional Comments (HD 24/11/15)

Policy Committee has the authority to agree the recommendations in the report.

Background Papers Available for Inspection

- [Equality Impact Assessments](#)
- [Redefining Your Council](#)

Appendices

<u>Appendix</u>	<u>Title</u>
1	Category A Option for Change
2	Category B Option for Change
3	Category C Option for Change